

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07  
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06  
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01  
PRS-01 OPIC-03 IGA-02 XMB-02 CEQ-01 /110 W  
-----090625Z 124760 /14

R 081320Z APR 77  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 6041

C O N F I D E N T I A L MOSCOW 4776

E.O. 11652: GDS  
TAGS: ENRG, UR  
SUBJECT: SOVIET ATTITUDE TOWARDS OIL PRODUCTION AND CONSUMPTION

1. EMBASSY HAS TAKEN NOTE OF DEPARTMENT'S SPECIAL INTEREST IN SOVIET ATTITUDES CONCERNING POSSIBLE FUTURE DECLINE IN SOVIET ROLE AS EXPORTER OF CRUDE OIL DUE TO INCREASE IN DOMESTIC CONSUMPTION, TOGETHER WITH STAGNATION OR EVENTUAL DECLINE IN DOMESTIC PRODUCTION. WE WILL HENCEFORTH REPORT SOVIET COMMENTS ON THIS POTENTIAL PROBLEM AS THEY COME TO OUR ATTENTION.

2. IN GENERAL, ALTHOUGH WE ARE NOT AWARE OF ANY SPECIFIC OVERT INDICATION OF SOVIET CONCERN WITH PROSPECT THAT CONSUMPTION MAY AT SOME FAIRLY EARLY POINT COME CLOSE TO OR EVEN SURPASS DOMESTIC OUTPUT, WE DO BELIEVE THAT SOVIET PLANNERS ARE GIVING THOUGHT TO THIS PROBLEM. SOME INDICATIONS OF THIS CONCERN ARE EMPHASIS ON GREATER GEOLOGICAL EXPLORATORY ACTIVITY BY SOVIET AND EAST EUROPEAN EXPERTS; APPROACHES MADE TO WESTERN COMPANIES (FOR EXAMPLE, SUSHKOV CONFIRMED TO E/C COUNSELOR EARLIER THIS WEEK HIS CONTACT WITH BRITISH PETROLEUM REPORTED IN MOSCOW 4441 CONCERNING BARENTS SEA); ATTENTION TO SECONDARY AND TERTIARY METHODS  
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OF RECOVERY; PREDICTIONS BY SOVIET SPECIALISTS THAT THEY WILL MOVE OFF THE RUSSO-SIBERIAN NORTH COAST FOR OFFSHORE EXPLORATION AT A FAIRLY EARLY PERIOD; TRADE WITH OIL PRODUCING LDC'S IN ORDER TO ACQUIRE CRUDE OIL WITHOUT PAYMENT OF HARD CURRENCY, ETC. HORTATORY EMPHASIS ON CONSERVATION OF GAS AND OIL, WHICH EMBASSY REPORTED LAST FALL, IS FURTHER INDICATION THAT RECOGNITION OF POTENTIAL PROBLEM EXISTS,

EVEN THOUGH WE ARE UNAWARE OF ANY SOVIET PROGRAM TO REDUCE DOMESTIC CONSUMPTION OR HOLD DOWN RISE OF DOMESTIC CONSUMPTION CURVE. CLEARLY SOVIETS ARE ALREADY CONFRONTING SERIOUS PRACTICAL PROBLEM OF HOW TO DIVIDE EXPORTABLE SUPPLIES OF CRUDE OIL AMONG MANY POTENTIAL CONSUMERS, A PROBLEM WHICH IS LIKELY TO CAUSE MORE STRAINS IN RELATIONS WITH EAST EUROPEAN CLIENTS UNLESS USSR SHOWS THEM PREFERENCE OVER POTENTIAL HARD CURRENCY PURCHASERS IN THE WEST.

3. E/C COUNSEL FOR ASKED USA/CANADA INSTITUTE DEPUTY DIRECTOR SHERSHNEV APRIL 8 WHETHER HE IS AWARE OF ANY PLANS BY USSR TO SELL CRUDE OIL TO US. SHERSHNEV WAS ALSO ASKED IF USSR IS CONCERNED ABOUT POSSIBLE FUTURE INTERSECTION OF CONSUMPTION AND PRODUCTION CURVES. HE REPLIED:

A) SOVIETS HAVE HELD RECENT DISCUSSIONS WITH PRIVATE US FIRMS ABOUT SALE OF CRUDE OIL TO US, BUT THESE HAVE BEEN DEADLOCKED ON ISSUE OF PRICE. SOVIETS HAVE BEEN WAITING TWO MONTHS FOR AN ANSWER, BUT THIS HAS NOT YET BEEN GIVEN BY US SIDE.

B) HE, SHERSHNEV, DOES NOT BELIEVE USSR FACES ANY OIL PROBLEM IN FORESEEABLE FUTURE.

4. COMMENT: SHERSHNEV DID NOT IDENTIFY THE US COMPANIES SAID TO BE INTERESTED IN PURCHASE OF SOVIET CRUDE AND MAY NOT KNOW IT HIMSELF. WE HAVE PREVIOUSLY REPORTED THAT US/USSR TRADE AND ECONOMIC COUNCIL DIRECTOR O'BRIEN MENTIONED INTEREST OF US MAJORS IN PURCHASE OF SOVIET OIL, IF THE  
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PRICE WERE RIGHT, AS PART OF O'BRIEN'S HOPE TO REDUCE US EXPORT-INHIBITING IMBALANCE IN US-SOVIET BILATERAL TRADE BALANCE. WE DO NOT KNOW IF THESE ARE THE DISCUSSIONS TO WHICH SHERSHNEV HAD REFERENCE. HIS EXPRESSED FLAT DISBELIEF IN ANY SOVIET OIL PROBLEM IN THE NEAR FUTURE DOUBTLESSLY IS A CANDID REFLECTION OF THE VIEWS OF AT LEAST ONE WELL-INFORMED SOVIET OFFICIAL. SPECIALISTS IN OIL MAY FEEL DIFFERENTLY. WE WILL CONTINUE TO REPORT ON THE VIEWS OF OTHER KNOWLEDGEABLE SOVIET OFFICIALS.  
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## Message Attributes

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